	ANALYSIS OF PROFITABILITY ON SUSTAINABILITY REPORT DISCLOSURE BASED ON GRI INDEX
Volume: 3 Number: 1 Page: xxx - xxx	**Anindyo PRAMUDITO[1], Muhammad MUWIDHA[2], Anna ISROWIYAH[3]** **[1,2,3]Accounting Major, Politeknik Negeri Malang, Indonesia** **Corresponding author: Anindyo Pramudito** **E-mail:** apramudito1@gmail.com
Article History: Received: 2021-10-25 Revised: 2021-11-15 Accepted: 2021-11-18	**Abstract:** This study aims to examine the effect of the sustainability report disclosure on economic, environmental, and social aspects on the financial performance of Return On Assets (ROA). The Global Reporting Initiative (GRI) G4 Standard is used as a guideline for disclosing the sustainability report. The population of this research is natural exploration companies (mining and plantation companies) which are listed in the Indonesia Stock Exchange from 2018-to 2019. A total of 15 companies from mining companies and plantation companies, become the research sample using the purposive sampling technique. It is a descriptive quantitative research using the linear regression method as the data analysis. Significant results were obtained for each variable, namely the economic aspect of 41.5%, the social aspect of 39.5%, and the environmental aspect of 27.5%. At the same time, the R-square results were 58.4%. Referring to the analysis, it can be concluded that all aspects affect profitability, and the economic aspect is more influential than other aspects. Therefore, it is suggested that the company consider sustainability issues in improving its financial performance and, as information for users of the sustainability report, one of the investors' considerations in investing their capital.
	Keywords: Sustainability Report Disclosure, Economic Aspects, Environmental Aspects, Social Aspects, Return On Assets
	Cite this as: Cite This as: First AUTHOR[1], Second AUTHOR[2], Third AUTHOR[3] (YY).“Title Article.” International Journal of Environmental, Sustainability, and Social Sciences, 3 (1), xxx-xxx.

INTRODUCTION

When carrying out its business activities, the company has a basic goal, namely to seek profit to fulfill the wishes of investors as the party who owns the funds. However, on the other hand, the company also has a position and role that affects the surrounding environment. This situation is also the same as the position and role of the environment and society towards the company. All of these parties are interrelated and have an important role in life. Companies that carry out natural exploration are companies that use the main source of nature/environment in their business activities. Therefore, it can be said that companies in the natural exploration sector are very influential on conditions that occur in nature/environment.

Along with the rise of various events regarding environmental damage and the emergence of public awareness of the importance of protecting the environment, the issue of sustainability arose. Companies are required to be able to fulfill the wishes of the owner of the fund, but must also pay attention to the social environment and the preservation of the natural surroundings. All of these components must be kept in balance in harmony for the sake of the sustainability of life.

Many types of research on sustainability disclosure have been carried out, including those conducted by Burhan and Rahmanti (2012) and Adhima (2012). The research results by Burhan and Rahmanti (2012) show that disclosure of social aspects has a positive influence on company performance, while disclosure of economic and environmental aspects has no effect. At the same time, Adhima (2012) shows that the disclosure of environmental aspects has a significant positive effect on profitability, but on the contrary, with social aspects. The social aspect has a significant negative effect on profitability.

There are still inconsistent results from previous studies which prompted this research. Based on this explanation, this study aims to determine the difference between this study and previous research, which lies in the object of research, the year of observation, and the guidelines used. The research object is a company whose line of business is natural exploration, namely companies in the mining and plantation sectors listed on the Indonesia Stock Exchange (IDX) in 2018-2019. Sustainability disclosure guidelines are guidelines issued by the Global Reporting Initiative (GRI), namely GRI Standards G4. These guidelines are the most recent GRI guidelines that were ratified in 2017 and became effective in 2018. There are 3 aspects in the sustainability report: economic, environmental, and social aspects. The disclosure of these 3 aspects certainly requires many sacrifices that are estimated to affect the level of profitability.

Sustainability Report

Sustainability Reporting or sustainability report is a form of report carried out by a company to disclose (disclose) or communicate to all stakeholders regarding the performance of Environmental, Social and Good Governance (LST) in an accountable manner (ojk.go.id, 2017) . It means that the Sustainability report is a form of a report issued by the company regarding the environmental, social, and economic impacts of daily activities. The sustainability report contains various corporate values, management methods, and shows how strategic relationships and commitments to a sustainable global economy are. Sustainability reports can make it easier for an entity to understand, calculate, and communicate the workings of its social, economic, governance, and environmental aspects. Then determine the goals and strategies of change that can be carried out effectively. Sustainability reports are an important part of informing positive and negative performance and impact on sustainability. The function of the Sustainability Report for the company is to become a parameter for the realization of the work targets contained in the triple bottom line problem.

The sustainability report in Indonesia has only been established on July 27, 2017, for Financial Services Institutions, Issuers and Public Companies through Financial Services Authority Regulation No. 51 / POJK.03/2017. The regulation explains that a Sustainability Report is a report published to the public that contains the economic, financial, social, and environmental performance of a Financial Service Institution, Issuer, and Public Company in running a sustainable business. This sustainability report is mandatory and first started at a financial service institution for the date of the financial report as of December 31, 2019. However, if the financial service institution is an issuer or public company, then there is an obligation to submit the report earlier. The current issuance of sustainability reports in Indonesia is mostly based on the disclosure standards in the Global Reporting Initiative (GRI).

Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is an independent international organization that helps businesses and organizations take responsibility for their impacts by communicating those impacts through sustainability reporting. The most widely used standard for sustainability reporting is the GRI Standard.

The GRI Standards create a common language for organizations and their stakeholders, so that the economic, environmental and social impacts of those organizations can be communicated and understood. This standard is designed to improve global comparability and the quality of information on these impacts, thereby enabling greater organizational transparency and accountability. The GRI standards' sustainability reporting must provide a balanced and fair picture of the organization's positive and negative contributions to sustainable development goals. The information available through sustainability reporting enables internal and external stakeholders to form opinions and to make informed decisions about the

organization's contribution to sustainable development goals (Global Reporting Initiative, 2018: 3).

Profitability

Profitability is the ability of a company to generate profits during a certain period concerning sales, total assets and own capital (Sartono, 2010: 122). A company's profitability can be assessed in various ways depending on the profits and assets or capital that will be compared with one another. The profitability ratio is an indicator that shows how much the company's ability to earn a profit concerning sales, assets and profits for own capital. This ratio consists of gross profit margin, operating profit margin, net profit margin, return on investment, return on equity, return on assets, earning power, earning per share, dividend per share, dividend payout ratio.

Disclosure of sustainability and profitability reports

Indonesia received the highest ranking out of 27 countries for public trust in information disclosure in the Sustainable Report according to the results of the 2020 GlobeScan and Global Reporting Initiative (GRI) survey. This assessment indicates that the transparency of the performance of most companies in Indonesia has complied with disclosure standards on environmental, social and environmental aspects. Therefore, governance (LST) in each business process can increase investor confidence in supporting financing/investing sustainable development goals in Indonesia. Based on all surveyed countries, public trust in Indonesia is the highest at 81%, above China, which is in 4th position with a level of 73% (https://mediaindonesia.com, 2020). Of course, if public trust increases in the transparency of the company's performance, it is hoped that this will impact the level of company profitability.

Many studies have been carried out on the relationship between sustainability report disclosure and profitability, including those conducted by Burhan and Rahmanti (2012), Adhima (2012), Mulpiani (2019), Arjowo (2013), and Rohmah, et al. (2019). The results show that the disclosure of the sustainability report positively affects the company's performance, including the company's profitability.

Based on this description, the hypothesis in this study is the disclosure of economic, environmental, and social aspects that affect profitability.

METHODS

Population, Sample, and Sampling Technique

The population in this study were 67 companies in the natural exploration sector, consisting of 47 companies in the mining sector and 20 companies in the plantation sector. The sampling technique is purposive sampling, with the criteria that companies are consistently listed consecutively during 2018-2019 and companies publish sustainability reports. Based on the sampling criteria obtained, 15 companies that meet the criteria, so the total data observed are 30 companies for two years of observation.

The data collection method used in this research is documentation. The data used is archival data, namely secondary data in the form of annual reports and sustainability reports obtained from the https://idx.co.id/ site.

Research Variables and Operational Definitions of Variables

The research variables used are:

1. Disclosure of sustainability report

Sustainability report disclosure is measured by determining the value of the SRDI (Sustainability Report Disclosure Index). SDRI is calculated by calculating the number of disclosures on an entity's economic, environmental, and social aspects compared to the total items that must be disclosed according to the GRI standard G4 (Global Reporting Initiative, 2018). The total disclosure items based on GRI standard G4 are 87 disclosure items. If an entity discloses an item, it is given a score of 1;

otherwise, it is given a score of 0. Then the total number of items disclosed is divided by the total items that should be disclosed. If expressed in the formula is as follows:

$$SDRI = \frac{n}{k}$$

Dimana :
SRDI = *Sustainability Report Disclosure Index*
n   = total items disclosed by an entity
k   = total items disclosed based on GRI standard G4

2. Profitability.

Profitability is proxied by Return on Assets (ROA), which is measured by dividing net income by total assets.

Data analysis technique

Technical analysis of the data using descriptive statistics and multiple linear regression. Test the hypothesis using the t-test to test the relationship between the influence of the variables partially and the f test to test the relationship between the variables as a whole.

RESULT AND DISCUSSION

Statistical Descriptive

Below in Table 1 are the results of descriptive statistics and their explanations for research variables, which consist of disclosure of sustainability reports measured by disclosure of economic aspects, environmental aspects, social aspects, and return on assets (ROA).

Table 1. Description of Research Variables

Variable	Minimum	Maximum	average	Standard Deviation
ROA	-0,030	0,079	0,02153	0,027332
EKONOMI	0,000	0,706	0,34897	0,156781
LINGKUNGAN	0,200	0,525	0,38727	0,089002
SOSIAL	0,133	0,633	0,40577	0,118555

Sumber: data diolah, 2021

The results of descriptive statistics show that the average value of ROA is 0.0215 at a standard deviation of 0.0273. Meanwhile, the disclosure of economic aspects has an average value of 0.348 at the standard deviation of 0.156, the disclosure of environmental aspects has an average value of 0.387 at the standard deviation of 0.089, and the disclosure of social aspects has an average value of 0.405 at the standard deviation of 0.118.

Regression Analysis Results

Classical assumption test results

Estimated the regression coefficient in this analysis using the method of least squares (ordinary least square). The application of this method will produce a good estimate of all the assumptions that apply in the analysis that can be met (Gujarati, 2004: 336). The assumptions underlying the regression analysis include: there is no multicollinearity, there is no heteroscedasticity, and the residual value is normally distributed. The results of classical assumption testing on all variables show that all assumptions have been met.

Regression Equation

Multiple regression analysis is used to describe the form of the relationship between the independent variable and the dependent variable. Important things in regression analysis include: the regression equation, the coefficient of determination (R^2), the results of the F-test and the t-test. From the regression equation, it is known that the dependent variable profitability, which is proxied by ROA, its value will be predicted by the independent variable from the disclosure of the sustainability report, which consists of three disclosures, namely economic, environmental and social

disclosures. Therefore, the results of the regression coefficient test (table 2) are based on calculations using the data of these variables.

Table 2. Multiple Linear Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constanta	-0,073	0,018		-4,026	0,000
EKONOMI	0,072	0,023	0,415	3,075	0,005
LINGKUNGAN	0,084	0,040	0,275	2,129	0,043
SOSIAL	0,091	0,031	0,395	2,899	0,008

Source: processed data, 2021

Based on the results of the calculation of the regression analysis, the regression equation is obtained as follows:

Y = -0,073 + 0,072 Ekonomi + 0,084 Lingkungan + 0,091 Sosial + e

Simultaneous Test (F Test)

The F test or simultaneous test describes whether or not there is an influence between the independent variables of economic, environmental, and social aspects on the dependent variable of ROA together (simultaneously).

Table 3. Simultaneous Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0,013	3	0,004	12,144	0,000[b]
Residual	0,009	26	0,000		
Total	0,022	29			

Source: processed data, 2021

The results of the test together with the F test obtained that the number of F count (12.144) is more than F table (2.980) or the number of significance (0.000) is less than alpha (0.050), explaining that there is a significant influence between economic aspects, social aspects, and environmental aspects to ROA together.

Partial Test (T-Test)

The t-test or partial test explains whether or not there is an influence between the independent variables of economic, social, and environmental aspects on the dependent variable of ROA individually (partial).

Table 4. Partial Test

Model	t	Sig.
EKONOMI	3,075	0,005
LINGKUNGAN	2,129	0,043
SOSIAL	2,899	0,008

Sumber: data diolah, 2021

- The partial test between the variables of the economic aspect of the ROA variable resulted in a t-count value (3.075) more than t table (1.70562) or the total significance (0.005) less than alpha (0.050). These results indicate that there is a significant effect between the variables of the economic aspect on the ROA variable.
- The partial test between the environmental aspect variables and the ROA variable resulted in a t-count value (2.129) more than the t-table (1.70562) or a significant amount (0.043) less than alpha (0.050). These results indicate that there is a significant effect between the environmental aspect variables on the ROA variable.
- The partial test between the social aspect variables on the ROA variable resulted in a t-count value (2.899) more than the t table (1.70562) or the total

significance (0.008) less than alpha (0.050). These results indicate that there is a significant influence between the social aspect variables on the ROA variable.

Coefficient of Determination

The coefficient of determination (R2) is one of the values used to measure feasibility (goodness of fit). By looking at the percentage of the influence of all independent variables on the dependent variable, it can be seen how well the regression equation model is used. The coefficient of determination (R2) measures the proportion (part) or percentage of the total variation in Y that the regression model explains. The coefficient of determination or R2 has a magnitude whose limit is 0 R2 1. An R2 of 1 means a perfect match, while R2, which has a value of zero, has no relationship between the dependent variable and the explanatory variable. Based on the calculation, the coefficient of determination (R2) of 0.584 means that the ability of the regression equation to predict the value of the dependent variable is 58.4%. In other words, the variable disclosure of economic, environmental, and social aspects can explain the profitability of 58.4%, while the remaining 31.6% is explained by other variables that are not included in the regression equation model.

Results of Hypothesis Testing and Discussion

Regression analysis is used to predict the causal relationship between several independent variables and the dependent variable. The basis for answering problems regarding the influence between variables is used in the results of calculations with regression analysis and, at the same time, for hypothesis testing. Decision making for hypothesis testing uses a significance value (p) with criteria if p> 0.05, then H0 is accepted or Ha is rejected, meaning that the regression coefficient obtained is not significant, and if p <0.05, then H0 is rejected or Ha is accepted, it means that the regression coefficient obtained is significant.

The results of hypothesis testing show that:

a. Hypothesis H1 states that it is suspected that the variable disclosure of economic aspects affects profitability

The results of data analysis describe when the disclosure of economic aspects produces a significant positive effect on profitability. This condition is supported by a regression coefficient value of 0.415 with a significant probability of 0.005. Therefore, the significance value of the disclosure of economic aspects is less than 0.05. Therefore, it can be concluded that the research data supports the hypothesis H1. Furthermore, the results show a positive effect, meaning that the greater the disclosure of the economic aspect, the higher the company's profitability.

b. Hypothesis H2 states that it is suspected that the environmental aspect disclosure variable affects profitability

The results of data analysis describe when the disclosure of environmental aspects produces a significant positive effect on profitability. This condition is supported by a regression coefficient value of 0.275 with a significant probability of 0.043. The significance value of the disclosure of economic aspects is less than 0.05. Therefore, it can be concluded that the research data support hypothesis H2. The results show a positive effect, meaning that the greater the disclosure of environmental aspects, the higher the company's profitability.

c. Hypothesis H3 states that it is suspected that the variable disclosure of social aspects affects profitability

The results of data analysis describe when the disclosure of social aspects produces a significant positive effect on profitability. This condition is supported by a regression coefficient value of 0.395 with a significant probability of 0.008. The significance value of the disclosure of economic aspects is less than 0.05. Therefore, it can be concluded that the research data support hypothesis H3. The results show a positive effect, meaning that the greater the disclosure of social aspects, the higher the company's profitability.

d. Hypothesis H4 states that it is suspected that the variable disclosure of social, environmental, and economic aspects affects profitability

The results of the simultaneous test with the F test obtained that the calculated F value (12,140) is more than the F table (2,980), or the significance value (0.000) is less than alpha (0.05). These results indicate a significant effect of the variable disclosure of economic, environmental, and social aspects on profitability simultaneously. Furthermore, the results show a positive effect, meaning that the greater the disclosure of economic, environmental, and social aspects, the greater the company's profitability.

All hypotheses in this study proved to be acceptable. It shows that the disclosure of economic, environmental, and social aspects in the Sustainability Report is believed to produce an optimal image for entities, both in the commodity market and capital market. Investors will desire the optimal image because the more optimal the company's image, the more loyal investors will be. Of course, this loyalty is also expected to impact increasing sales and automatically increase the company's profitability as well. Therefore, disclosure of these various aspects in the Sustainability Report is a form of transparency of an entity for stakeholders, which is expected to be able to attract investors' interest in investing.

CONCLUSION

This study aimed to examine the effect of economic, environmental, and social disclosures on sustainability reports on the profitability of natural exploration companies. The results showed that all economic, environmental, and social disclosure variables affected profitability. This condition illustrates that the disclosure of economic, environmental, and social aspects in the Sustainability Report is believed to produce an optimal image for entities, both in the commodity market and capital market. Investors will continue to desire the optimal image because the more optimal the company's image, the more loyal investors will be. Of course, this loyalty is also expected to impact increasing sales and automatically increase the company's profitability as well. Disclosure of these various aspects in the Sustainability Report is a form of transparency of an entity for stakeholders, which is expected to be able to attract investors' interest in investing.

The results of this study are expected to provide useful information for stakeholders in making decisions. Company management is expected to be increasingly aware that sustainability information in sustainability reports that reveal economic, environmental and social aspects can improve the company's image and increase the trust of all parties. This condition will certainly have an impact on increasing business profits. Basically, the disclosure of the Sustainability Report is a good and appropriate step for the company's progress and business sustainability in the future. The better and more precise the disclosures made by the company, the better the company's image is predicted to be.

Meanwhile, for investors, sustainability issues need attention to be considered in investment policies because they are related to the company's sustainability in the long term. With the disclosures in the sustainability report, investors can draw conclusions which companies have environmental and social concerns and are not only looking for profit. Therefore, the sustainability report needs to be considered in making investment decisions.

REFERENCES

Adhima, M. F. (2012). Pengaruh Pengungkapan Sustainability Report Terhadap Profitabilitas Perusahaan Studi Kasus pada Perusahaan Manufaktur yang Terdaftar dalam Bursa Efek Indonesia. *Jurnal Ilmiah Mahasiswa FEB Universitas Brwijaya Malang*, Vol. 1 (1).

Arjowo, I. S. (2013). Pengaruh Pengungkapan Sustainability Report Terhadap Kinerja Keuangan Perusahaan (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar dalam Bursa Efek Indonesia. *Skripsi* Universitas Kristen Satya Wacana.

Burhan, A. H. N dan W. Rahmanti. (2012). The Impact of Sustainability Reporting on Company Performance. *Journal of Economics, Business and Accountancy Ventura*, Vol. 15 (2):257–72.

Global Reporting Initiative. (2018). *Sustainability Reporting Guidelines*, Version 4. *Global Reporting Initiative*. (2018). GRI 101: Landasan 2016. www.globalreporting.org

Gujarati, D.N. (2004). *Basic Econometrics*. 4th Edition, McGraw-Hill Companies.

Mulpiani, W. (2019). Pengaruh Pengungkapan Sustainability Report Terhadap Kinerja Perusahaan Publik di Indonesia. *Jurnal Studi Akuntansi dan Keuangan*, Vol. 2(2): 77-90

Otoritas Jasa Keuangan. (2017). Peraturan Otoritas Jasa Keuangan Nomor 51 /Pojk.03/2017 Tentang Penerapan Keuangan Berkelanjutan Bagi Lembaga Jasa Keuangan, Emiten, dan Perusahaan Publik.

Rohmah, K. L., A. Adiputra, dan W. Kurniawati. (2019). Pengaruh Pengungkapan Sustainability Report Terhadap kinerja Keuangan Perusahaan. *Prosiding* Seminar Nasional universitas Respati Yogyakarta, Vol. 1(2).

Sartono, A. (2010). *Manajemen Keuangan Teori dan Aplikasi*. Edisi 4. BPFE Yogyakarta.

https:// www.ojk.go.id/*. (2017). Infografis Lembaga Jasa Keuangan dan Emiten Penerbit Sustainability Report.* Diakses tanggal 22 Desember 2021.

https://mediaindonesia.com. (2020). *Indonesia Peringkat Tertinggi Keterbukaan Laporan Keberlanjuta*n. Diakses tanggal 22 Desember 2021.

https://idx.co.id/.